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Swedish Alcohol Monopoly's EU Campaign 2005

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Report Highlights:

The Swedish alcohol monopoly, Systembolaget, recently spent SEK 8 million (US\$ 960,000) on a campaign promoting the benefits of the monopoly. The "Dear Mr. Barroso" campaign reportedly marked the 50th Anniversary of the Swedish monopoly. However, critics point out that it was launched in the midst of court battles involving the monopoly both in Sweden and at the EU Court of Justice.

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SYSTEMBOLAGET – A 50 YEAR-OLD MONOPOLY

Systembolaget, Sweden's state-owned alcohol monopoly, is celebrating its 50th anniversary with an advertising campaign to promote the benefits of the monopoly. Reportedly, Systembolaget has spent 8 million Swedish kronor (about US\$ 960,000) on this campaign to defend the retail sales monopoly in Sweden. Systembolaget handles all sales of wine, spirits and strong beer through some 400 liquor stores throughout Sweden.

DEAR MR. BARROSO

Systembolaget's campaign was launched on four fronts. A letter to European President Jose Manuel Barroso was sent on November 18, 2005. A press release describing the public relations campaign was issued on November 21, 2005. On November 22, the website www.DearMrB.se was launched featuring "a short film showing the alcohol situation in Europe and how the Swedish retail monopoly operates and the effects of it." On the same day, an advertisement headlined, "Dear Mr. Barroso, Here's why you should seriously consider cutting down on drinking" was published in the Financial Times and some 70 Swedish daily and evening newspapers. The ad points out that more than 600,000 Europeans die of alcohol-related causes every year and the cost of alcohol-related problems for the EU as a whole is between 200 and 500 billion euros per year.

In the press release, Systembolaget's President Anitra Steen writes: "Systembolaget was created for the sake of the public health in Sweden. Naturally our task has been affected by the fact that we are now part of the EU open market. So we thought that our 50th Anniversary would be a very good opportunity to show the European Commission President and the people of Europe why we have an alcohol retail monopoly in Sweden. At the same time, we wish to raise awareness of the problems associated with Europe's high alcohol consumption. For instance, we Europeans drink twice as much as people in the rest of the world." Ms. Steen is the wife of Swedish Prime Minister Goran Persson.

The ad also draws attention to the effect of cross-border sales. Swedes and other Northern Europeans have increasingly been crossing borders to buy cheaper alcohol in neighboring countries. This has especially been true in Sweden where the Government has traditionally maintained high alcohol taxes for public health reasons while neighboring countries, such as Finland and Denmark, have reduced their tax on alcohol.

The website for the advertising campaign is located at:
www.systembolaget.se/Applikationer/Knappar/Press/Jubileum

CAMPAIGN AND COURT CASES JUST A COINCIDENCE?

Critics of Systembolaget have pointed out that the 50th anniversary campaign conveniently coincides with renewed efforts within both Sweden and the EU Commission to erode the monopoly's power. Over the next several months, the Swedish state monopoly will come under intense legal scrutiny on several fronts.

In November 2005, the European Court of Justice began hearing arguments concerning Sweden's ban on individual purchases of wine via the Internet. The case first arose in October 2003 when the EU Commission formally requested that Sweden lift the ban, arguing that the ban represented "a disproportionate obstacle to the free movement of goods in contravention of EC Treaty rules (Article 28).

Sweden refused on the grounds that the ban was in accordance with European law as it is "an integral and non-discriminatory part" of the retail monopoly, necessary for the public health and safety of the Swedish population. The Commission disagreed and, in July 2004, decided to take Sweden to the European Court over the ban on private imports. The deliberations at the EU Court in Luxembourg will determine if the hundreds of seizures by Swedish Customs of wine and spirits ordered over the Internet were in breach of EU rules and if damages can be claimed. A verdict is expected in February 2006.

In the coming year, the European Court will also consider whether the Swedish tax structure for alcohol discriminates against wine in comparison to beer. In June 2001 and again in July 2004, the EU Commission requested that Sweden end its tax discrimination on wine, which is taxed at a higher rate than beer. It has been argued that the discriminatory tax was established to promote consumption of largely domestically produced beer as opposed to imported wines from other Member States. Following the 2001 request, Sweden reduced its gap in tax rates between wine and beer. In July 2004, however, the Commission found that Sweden was still discriminating against wine and, once again, called for a more equitable tax schedule for wine and beer. The Government of Sweden disagreed with the Commission's findings. As a result, in December 2004 the EU Commission referred the matter to the Court of Justice.

MEANWHILE, BRIBERY SCANDAL TRIALS CONTINUE

Following a three-year investigation into the bribery scandal within Systembolaget, the first verdict against 18 Systembolaget store managers was announced on December 19, 2005 in Stockholm's District Court. The 18 store managers suspected of accepting bribes from suppliers were fined between SEK 3,000 (US\$ 375) and SEK 20,000 (US\$ 2,500).

This was the first of five trials regarding the bribery scandal at Systembolaget. In total, charges have been brought against 77 Systembolaget employees and 15 employees of three different suppliers. The second trial will begin in January 2006.